



# **Internal Audit Report**

Parks and Recreation Department  
June 2001



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# Internal Audit Department

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June 8, 2001

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We have completed our FY 2001 review of the Parks and Recreation Department (MCPR). This audit was conducted in accordance with the annual audit plan that was approved by the Board. Overall, we found that MCPR effectively manages the County's park system and its departmental operations. We also identified areas needing improvement. These, along with our recommendations, are detailed in the attached report. The highlights of this report are:

- MCPR and the Sheriff's Office have provided law enforcement services at Lake Pleasant Park for the City of Peoria, free of charge, since July 2000. These services cost the County approximately \$488,000 annually.
- The County's IGA with Yavapai County, addressing Lake Pleasant Park services, is outdated and may no longer be applicable. Terminating the agreement would save the County more than \$50,000 annually.
- MCPR has not submitted Lake Pleasant on-water expenditure reports to the U.S. Bureau of Reclamation and Maricopa Water Districted, as required. As a result, the County has not recovered at least \$128,142.
- MCPR does not appear to be complying with some requirements of an agreement established with the Bureau of Reclamation. These issues expose the County to financial risk.

Attached are the report summary, detailed findings, recommendations, and the MCPR Director's response. We have reviewed this information with MCPR management and appreciate their excellent cooperation. If you have questions, or wish to discuss this report, please contact George Miller at 506-1586.

Sincerely,

A handwritten signature in cursive script that reads "Ross L. Tate".

Ross L. Tate  
County Auditor

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## **Executive Summary**

### **Lake Pleasant Law Enforcement Services (Page 7)**

The Maricopa County Parks and Recreation Department (MCPR) and Sheriff's Office have provided law enforcement services at Lake Pleasant Park for the City of Peoria, free of charge, since July 2000. These services cost the County approximately \$488,000 annually. MCPR and the County Administrative Officer should continue efforts to establish an Intergovernmental Agreement with the City of Peoria to recover these expenses.

### **Lake Pleasant "On-Water" Expenditures (Page 9)**

MCPR has not yet submitted its Lake Pleasant on-water expenditure reports for Fiscal Years 1998-99 and 1999-2000 to the U.S. Bureau of Reclamation (BOR) and Maricopa Water District (MWD), as required by the Lake Pleasant Recreational Management Agreement. As a result, the County has not recovered at least \$128,142 from MWD and has lost \$6,500 in interest earnings. MCPR should submit these Lake Pleasant on-water expenditure reports as soon as possible.

### **Other IGA Requirements (Page 10)**

The County's Lake Pleasant Park IGA with Yavapai County may no longer be applicable. MCPR and the County Administrative Officer should consider terminating the agreement to save more than \$50,000 annually. Also, MCPR does not appear to be complying with some requirements of the Lake Pleasant Park Recreational Management Agreement, which negatively impacts the office's working relationship with BOR and may expose the County to financial risk. MCPR should strengthen controls to ensure compliance with all terms of the agreement and work with BOR to reach a mutual understanding of each agency's authority and responsibilities.

## **Golf Course Concessionaire Contracts (Page 13)**

Our testing of two County golf course concessionaires' operations found the contractors to be in overall compliance with applicable contract requirements. However, MCPR does not adequately monitor the concessionaires' performance or compliance with contract provisions, which increases the County's financial and legal risk. MCPR should formally monitor contractors' performance, on a regular basis, and maintain documentation of review activities.

## **Commercial Fee and Special Use Permits (Page 15)**

MCPR's controls over Commercial Fee/Special Use Permits are not adequate to ensure that permits are awarded to the most qualified vendors, park visitors are provided with quality products and services, and the County receives all revenues due. These weaknesses increase the risk of vendor favoritism and fraud. MCPR should strengthen controls over its permit award, revenue collection, and vendor monitoring activities.

## **Agreements with Non-Profit Organizations (Page 17)**

MCPR does not effectively monitor or enforce the requirements of the County's written agreements with non-profit organizations. Our review identified internal control weaknesses and exceptions to contract requirements, which increase the County's risk for incurring potential legal and financial liabilities. MCPR should strengthen controls over its contract enforcement and monitoring activities.

## **Software Licensing (Page 19)**

MCPR has not developed policies and procedures to ensure compliance with County Policy A1604, Software Copyright and License Compliance. However, the department has purchased adequate software licenses for its current software applications. Copyright infringement of software licensing can result in heavy fines and civil and criminal prosecutions. MCPR should develop procedures to ensure compliance with County Policy A1604.

# Introduction

## Background

The Maricopa County Parks and Recreation Department (MCPR) operates the nation's largest county park system with ten regional parks covering over 117,000 acres. The park system began in 1954 with a goal to preserve these mountain areas for future generations to enjoy. The County leased 80,000 acres of land from the Federal Government, free of cost, through the U.S. Bureau of Land Reclamation's Recreation and Public Purpose Act. MCPR began its operations with the "Estrella Mountain" park (20,000 acres) and three proposed parks (60,000 acres). A 1960's federal act allowed the County to acquire additional thousands of acres of federal land at \$2.50 per acre.

Two Maricopa County parks are located in bordering counties; the Santan Regional Park in Pinal County and the Lake Pleasant Park is partially located in Yavapai County. Intergovernmental agreements (IGA) have been established with both counties addressing the management and maintenance of these parks. On January 4, 2001 the Board of Supervisors (Board) approved IGAs with the State of Arizona and the Town of Cave Creek relating to the purchase, ownership, and operation of land referred to as Spur Cross Ranch.

Each County park has its own unique characteristics. Over the past twenty years MCPR has evolved to provide the public with developed outdoor recreational attractions, activities, and public education while maintaining and preserving the parks' natural resources. More than two million visitors use the County park system annually.

## Authorization, Mission, and Goals

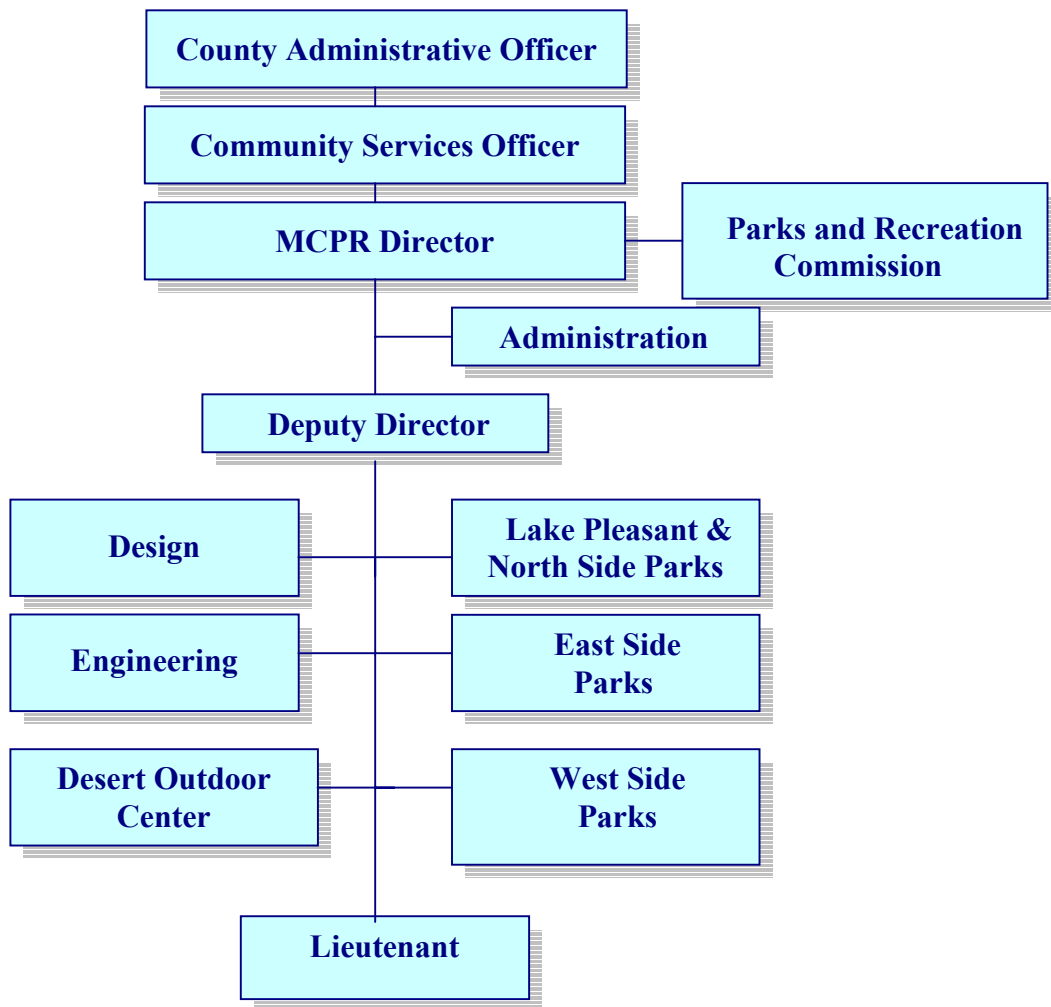
MCPR operates under the authorization and requirements of two Federal Acts and Arizona Revised Statutes (ARS) Sections 11 and 38. The department also is subject to the provisions of the Maricopa County Procurement Code and Administrative Manual.

The mission of MCPR is to "provide recreational and educational opportunities while protecting park resources for residents and visitors so they can enjoy a safe and meaningful outdoor experience." MCPR's present focus is to provide passive recreational activities such as camping, hiking, picnicking, biking and boating. The department previously established intensive activity recreational programs such as a water park, model train/airplane parks, shooting range, ultra-light airport, softball fields, and a cart track at the Adobe Dam facility.

MCPR has developed five operational goals that the department updated during the County's Fiscal Year (FY) 2000-01 Managing for Results strategic planning process. These goals are measurable with specific timeframes.

## Organizational Structure

MCPR has 90 authorized positions and 14 are currently vacant. The following chart depicts the department's organizational structure.



MCPR employee turnover has increased significantly from FY 1996-97 (6.4%) through the first quarter of FY 2000-01 (31.6%). The Director attributes the high turnover to less than market competitive salaries.



## **Scope and Methodology**

Our audit objectives were to determine:

- If MCPR complies with the requirements of IGAs established with Pinal and Yavapai counties, the U.S. Bureau of Reclamation (BOR), and Maricopa Water District (MWD)
- If MCPR awards Special Use Permits to For-Profit organizations in accordance with its own internal policy and other applicable requirements
- The adequacy of the departments concessionaire contract monitoring activities including the resulting impact on MCPR revenues or other effect
- The financial impact of having Maricopa County Sheriff's Office (MCSO) and MCPR parks police providing law enforcement activities at the Lake Pleasant Park, which is located within the City of Peoria
- The adequacy and usefulness of MCPR's internal financial reports
- Any potential financial impact if erroneous MCPR "on-water" expenditures and or Lake Pleasant visitor volumes are reported to BOR
- The adequacy of controls over software licenses and if MCPR is appropriately charged for computer services provided by the Maricopa County Department of Transportation (MCDOT)
- How accurately and completely MCPR tracks revenues and cost reimbursements that the department receives from non-profit groups.

This audit was performed in accordance with Government Auditing Standards.

## **Areas Needing Further Study**

Due to other audit priorities we did not examine MCPR's construction and other Article 5 contracts. We also did not review MCPR's cash handling procedures because, during the audit, the department completely changed its methodology for collecting park entrance fees. Future audit work should take into consideration the materiality of these activities.

## Department-Reported Accomplishments

**The following list of accomplishments was provided to the Internal Audit Department by MCPR for inclusion in this report.**

**Managing for Results** - The department completed a comprehensive Strategic Plan following County's Managing for Results template and implemented this plan into the FY 2001-02 Budget Request.

**Acquisition of Spur Cross Ranch** – Through separate IGAs with the State of Arizona and the Town of Cave Creek, Maricopa County acquired 2,400 additional acres of parkland for conservation management on January 9, 2001. The agreement provides special funding for the operations and maintenance of the park for the next 60 years.

### **Major Maintenance & Capital Improvements**

- Restrooms are under construction at both Estrella Park and Usery Park.
- Five Lake Pleasant Park composting restrooms will be converted to flush toilets.
- A water and electric system for the north end of Lake Pleasant is in design.
- Water system upgrades to be done at the 10-lane boat ramp area at Lake Pleasant.
- A new campground near Desert Tortoise Campground at Lake Pleasant is in design.
- Estrella Park, McDowell Park, Usery Park, and White Tank Park playgrounds are bid.

**Customer Satisfaction Survey** – A comprehensive Park User Satisfaction Survey was concluded in August of 2000, the results were provided to all staff and each Park Supervisor has evaluated the results and produced a thesis on the impact. Working with the ASU Survey, Managing for Results, and our own strategic goals and vision we will develop a department wide strategy for improving service and operation of our park system. Data on the ASU survey was placed on the web page and distributed to the public through our newsletter and public speaking opportunities.

**Special Events** - Major special events held recently included MBAA bike races at the Estrella Mountain, White Tank Park, and McDowell Mountain Regional Parks. Estrella Mountain Regional Park also held three horse shows. White Tank Mountain Regional Park had a huge month with a large AARP group hike and a hayride.

- Outdoor programs including full moon hikes and stargazing were offered at all desert parks, as well as the Desert Outdoor Center, with greater numbers of participants.
- Our recent education fair at the Desert Outdoor Center hosted over 1200 visitors. We were joined by approximately 30 other agencies and vendors.

**Land Acquisition** – Significant acreage has been identified to be added.

**New Offices** - The department completed its move as scheduled on March 1-4, 2001 and was able to reduce the number of moving days, saving over \$4,000.

# Issue 1 Lake Pleasant Law Enforcement Services

## Summary

The Maricopa County Parks and Recreation Department (MCPR) and Sheriff's Office have provided law enforcement services at Lake Pleasant Park for the City of Peoria, free of charge, since July 2000. These services cost the County approximately \$488,000 annually. MCPR and the County Administrative Officer should continue efforts to establish an Intergovernmental Agreement with the City of Peoria to recover these expenses.

## Jurisdictional Changes

Until recently, Lake Pleasant Park (including the lake) resided in unincorporated areas of Maricopa and Yavapai counties. The County has provided law enforcement services on the lake and throughout the park, in accordance with ARS requirements and an Intergovernmental Agreement (IGA) established between the two counties. MCPR park police and Sheriff's Office (MCSO) deputies have performed these activities. NOTE: The IGA with Yavapai County will be further addressed in Issue #3 of this audit report.

Over a two-phase process, the City of Peoria annexed Lake Pleasant and adjoining County park land. These actions were completed on July 19, 1999 and establish the city's jurisdictional authority. The Peoria City Council adopted "Lake Pleasant Area Service Delivery Standards", in January 2000, which call for the city's police department to provide law enforcement services to areas surrounding the park but not the park or lake. The police department will also respond to MCSO or MCPR requests when a felony is committed within the park.

ARS Section 9-104 removes the County's responsibility to provide law enforcement services in Maricopa County land areas that have been annexed by cities "... after July 1 next following such incorporation ..." This language implies that the County can charge the City of Peoria for providing law enforcement services at Lake Pleasant Park.

## Fiscal Impact

The County's annual operating expenses for providing law enforcement at Lake Pleasant Park are approximately \$488,000. The vehicles used by MCSO and MCPR had acquisition costs of approximately \$682,000. The table on the following page details these County expenses.

## County Expenses: Lake Pleasant Park Law Enforcement

Department	Resource	Number*	Purchase Cost	Annual Expense **
<b>MCSO</b>	Patrol Boats	2@\$93K	\$186,000	\$27,768
	Patrol Vehicles	2@\$40K	80,000	15,870
	ATVs	2@\$7.5K	15,000	640
	Deputies	5@\$50K	0	250,000
<b>MCPR</b>	Patrol Boats	2@\$93K	186,000	27,768
	Patrol Vehicles	5@\$40K	200,000	12,982
	ATVs	2@\$7.5K	15,000	640
	Park Police	4@\$38K	0	152,000
<b>Total</b>			<b>\$682,000</b>	<b>\$487,668</b>

\* MCPR and MCSO Estimates

\*\* Annual Vehicle Expenses are Equipment Services Department Estimates

### Cost Recovery Efforts

MCPR records show that County and City of Peoria officials have conducted meetings in an attempt to establish an IGA that would address a variety of services (including law enforcement) at Lake Pleasant Park. Both sides have prepared draft versions of the IGA. However, despite these discussions, some differences remain to be settled and a final IGA is not imminent. Until one is established, the County will continue to provide and absorb the costs for law enforcement services.

### Recommendation

MCPR and the County Administrative Officer should continue efforts to establish an IGA with the City of Peoria, in order to recover the expenses for providing law enforcement services at Lake Pleasant Park.

## **Issue 2 Lake Pleasant “On-Water” Expenditures**

### **Summary**

MCPR has not yet submitted its Lake Pleasant on-water expenditure reports for the past two fiscal years to U.S. Bureau of Reclamation (BOR) and the Maricopa Water District (MWD), as required by the Lake Pleasant Park Recreational Management Agreement. As a result, the County has not recovered at least \$128,142 from MWD and has lost \$6,500 in interest earnings. MCPR should submit these Lake Pleasant on-water expenditure reports as soon as possible.

### **Agreement Requirements**

The Lake Pleasant Park Recreational Management Agreement between BOR, MWD, and the County requires MCPR to report its annual Lake Pleasant “on-water” expenses to the other two agencies. A 1992 amendment to the agreement, originally established in 1990, states that MCPR will submit the report by July 20th each year for the period ending July 1. The bureau uses this financial information and the number of watercraft admission passes, sold by MCPR and MWD, to determine the amount of annual MWD fees to be reimbursed to the County to cover its on-water expenses.

### **Reporting and Impact**

MCPR has not yet submitted its on-water expense reports for FY 1998-99 and FY 1999-2000, as the department has experienced significant turnover in its administrative division. However, because MCPR has not met the IGA expense reporting requirement, the County has not recovered at least \$128,142 and has lost approximately \$6,500 in interest earnings.

### **Recommendation**

MCPR should:

- A. Complete and submit its FY 1998-99 and FY 1999-2000 on-water expenditure reports to BOR and MWD, as soon as possible, in order to recover the County’s on-water expenses
- B. Submit future on-water expenditure reports by July 20<sup>th</sup> of each year
- C. Develop a system that accurately and completely captures the department’s on-water expenditures.

## Issue 3 Other IGA Requirements

### Summary

The County's Lake Pleasant Park IGA with Yavapai County may no longer be applicable. MCPR and the County Administrative Officer should consider terminating the agreement to save more than \$50,000 annually. Also, MCPR does not appear to be complying with some requirements of the Lake Pleasant Park Recreational Management Agreement, which negatively impacts the office's working relationship with BOR and may expose the County to financial risk. MCPR should strengthen controls to ensure compliance with all terms of the agreement and work with BOR to reach a mutual understanding of each agency's authority and responsibilities.

### IGA Requirements

As previously stated, the County has established IGAs with Yavapai and Pinal counties that address the development and management of two County parks. These agreements and the County's Lake Pleasant Recreational Management Agreement with BOR are administered by MCPR. The most significant County responsibilities for all three IGAs are described below.

Yavapai County IGA: Maricopa County must pay Yavapai County \$40,000 annually (increased 4 % percent annually for Consumer Price Index) for court services and costs related to Lake Pleasant Park operations within Yavapai County. Last year the County paid Yavapai County \$52,920 for these services.

Pinal County IGA: This May 1999 agreement lists a series of San Tan Mountain Park design activities (\$300,000 estimated total cost) and construction projects (\$3.4 million estimated total cost) that the County is to complete. However, the projects are conditional and dependent upon the County's ability to secure funding from grants, land sales, and increased user fees. The agreement does not set any target completion dates.

BOR/MWD IGA: The Lake Pleasant Park Recreational Management Agreement contains the following requirements for MCPR concessionaire agreements, park entrance fees, and park improvement projects:

- Park entrance fees must be developed with a fee schedule mutually agreed upon by both the County and BOR. All County concessionaire agreements, contracts, permits, or licenses are also subject to BOR approval. The County must provide BOR with copies for review "... at least 30 days prior to offer to the third party."
- All BOR funding must be expended at the Lake Pleasant Park.

- Each County Lake Pleasant concessionaire agreement and permit will “...indemnify and hold harmless the United States from any act or omission.”

## **Review Results**

We reviewed County financial records along with MCPR concessionaire agreements, contracts, use permits, records, and reports to determine MCPR’s compliance with the above IGA requirements. The results of our review are:

- MCPR makes quarterly payments to Yavapai County in accordance with the IGA requirements. No exceptions were found. NOTE: MCPR calculates the payment amount using the actual Consumer Price Index and, as a result, has saved the County \$5,556 since 1998.
- The IGA with Yavapai County is probably no longer applicable since all of Lake Pleasant Park, including the portion within Yavapai County, has been incorporated by the City of Peoria. The court and other services provided by Yavapai County should now be the responsibility of the City of Peoria. Terminating the IGA with Yavapai County would save the County more than \$52,000 annually.
- MCPR has spent \$230,000 on the San Tan Mountain Park projects identified in the IGA with Pinal County. No exceptions to agreement requirements were found.
- MCPR has not submitted its Lake Pleasant Park Jet Ski rental or Kayak school agreements to BOR for review and approval, as required.
- MCPR’s Lake Pleasant Park concessionaire agreements do not contain language indemnifying the United States, as required.
- The County entered into a cellular phone monopole contract and also increased Lake Pleasant Park entrance fees in 1999 without BOR’s prior approval, as required.

## **Possible County Risks**

MCPR management reports the Lake Pleasant Park Recreation Management Agreement with BOR is overly cumbersome and that the department can not comply with every requirement and still effectively manage the park. However, the County and BOR may both be exposed to financial liability when MCPR establishes third party contracts outside of the agreement. Non-compliance issues promote an adversarial relationship between MCPR and BOR, rather than one of cooperation and mutual agreement as implied by the contract language.

If MCPR does not comply with the agreement's requirements, the County could possibly lose its Lake Pleasant Park management contract with BOR. Article 14 of the agreement states:

“If Maricopa County is found by Reclamation (BOR) to have materially violated any portion of this Agreement, the County shall have not more than 180 days after the receipt of written notice to cure the violation ...If the County has not cured the violation ... Reclamation shall cause notice to be given to the County that it is in default and that if the violation is not cured within 30 days ... this Agreement shall be terminated for cause.”

BOR's Phoenix Office Area Manager reports that the agency does not want to terminate the Lake Pleasant Park Recreational Management Agreement. However, the manager reports that BOR would enforce the termination clause if MCPR were to continually demonstrate non-compliance with contract requirements.

### **Recommendation**

- A. MCPR and the County Administrative Officer should re-assess the need for continuing the County's Lake Pleasant Park IGA with Yavapai County and if found no longer to be necessary, terminate the agreement.
- B. MCPR should strengthen management controls to ensure that the department complies with the requirements of the Lake Pleasant Park Recreational Management Agreement. The department should also work with BOR to reach a mutually agreeable understanding of the agency's approval/review authority, as defined in the agreement.



## **Issue 4    Golf Course Concessionaire Contracts**

### **Summary**

Our testing of two County golf course concessionaires' operations found the contractors to be in overall compliance with applicable contract requirements. However, MCPR does not adequately monitor the concessionaires' performance or compliance with contract provisions, which increases the County's risk for financial and legal liability. MCPR should formally monitor contractors' performance, on a regular basis, and maintain documentation of review activities.

### **Golf Course Contracts**

MCPR has established contracts with three concessionaires to manage and maintain the three County owned golf courses: Paradise Valley Golf Course (PVGC), The 500 Club, and Estrella Mountain Golf Course. These written agreements, approved by the Board, contain many procedural requirements and operational conditions that the concessionaires must follow. The contracts also define activities and procedures for the County to follow.

### **Contract Review Activities**

We conducted on-site reviews at PVGC and The 500 Club to determine if the concessionaires and MCPR comply with contract requirements. We found both golf course concessionaires to be operating in overall compliance with contract provisions.

We also found that MCPR does not adequately monitor golf course concessionaires' performance and compliance with contract requirements. Specific exceptions identified, as well as the causes, are summarized below:

- The PVGC concessionaire has not reimbursed the County for the last six months of utility expenses (\$21,395 total) because MCPR has not sent the bills to the concessionaire.
- MCPR does not perform annual reviews of the concessionaires' maintenance performance and operational quality, as required. We found only limited documentation to support the department's contract monitoring activities.
- MCPR does not review and approve the concessionaires' operating schedules as required.
- Both concessionaires have made capital improvements to the facilities and paid for the work, however, the construction plans were not reviewed or pre-approved by the County as required.

- The concessionaires' accounting procedures do not provide adequate tracking mechanisms in the event of loss; several other cash control weaknesses were also found.
- MCPR does not effectively monitor the concessionaires' financial operations and cash controls to ensure that accounting activities conform to Generally Accepted Accounting Principles (GAAP) as required.

## **Fiscal Impact to County**

Without reviewing its concessionaires' financial activities and controls, MCPR has no assurance that concessionaires are maximizing lease returns and that lease-associated expenditures are recaptured. If MCPR does not bill concessionaires for their share of utility costs, the County loses revenue. Additionally, when concessionaires make capital improvements without MCPR's review or approval, the County may face legal and financial liability if the improvements do not meet current codes and regulations.

## **Recommendation**

MCPR should:

- A. Bill and collect all appropriate utility expenses from its golf course concessionaires
- B. Develop a monitoring checklist for each concessionaire agreement to include significant performance and compliance clauses/terms and verify these requirements on a regular basis
- C. Conduct annual concessionaire evaluations to verify the quality of maintenance and operations for each golf course and maintain written records of evaluation results
- D. Enforce the contract requirement that all proposed capital improvements be approved by the County before any work begins
- E. Examine concessionaires' accounting procedures to ensure compliance with GAAP standards.

## **Issue 5      Commercial Fee and Special Use Permits**

### **Summary**

MCPR's controls over Commercial Fee/Special Use Permits are not adequate to ensure that permits are awarded to the most qualified vendors, park visitors are provided with quality products and services, and the County receives all revenues due. These weaknesses increase the risk of vendor favoritism and fraud. MCPR should strengthen controls over its permit award, revenue collection, and vendor monitoring activities.

### **Permit Approval Process**

MCPR issues Commercial Fee and Special Use permits to vendors that operate small seasonal businesses (jet ski rentals, food catering, trail rides, vending machines, etc.) in County parks. The Board approved a simplified procedure in 1994 authorizing MCPR to approve or deny permit applications for vendors whose services are anticipated to generate less than \$5,000 of annual County revenue. Vendor agreements anticipated to produce more than \$5,000 of annual County revenue are procured through a competitive process.

NOTE: The State of Arizona Parks Department uses a more formal and competitive procedure for procuring park concessions. The American Institute of Certified Public Accountants recommends that a number of price quotations be obtained before awarding all contracts that are not subject to competitive bidding.

### **Audit Test Results**

We examined several MCPR Commercial Fee and Special permits and supporting documentation to determine if the permits were awarded in accordance with the approved procedure. We also assessed the adequacy of the control environment. The results of our review are:

- All vendors had supplied MCPR with proof of business insurance and copies of their current business licenses.
- A watercraft rental vendor generated \$16,300 of County revenue during FY 1999-2000 and has generated \$8,400 of County revenue during the first four months of FY 2000-01. These amounts materially exceed the Board approved revenue threshold.
- A vendor, operating on a month-to-month basis, has conducted business continuously at Lake Pleasant Park since October 1997.

- The Kayak School vendor agreement was signed in March 2001, however, MCPR financial records show that the vendor has made payments to the department since July 1998. Another agreement began April 30, 2000 but was not signed by a MCPR representative until July 25, 2000. During this time period the vendor paid MCPR \$5,647.
- MCPR does not verify the accuracy of the sales and revenue figures reported by the vendors. The agreements do not require permit holders to provide documentation to support reported sales figures or allow the County to examine vendors' financial records.
- MCPR's listing of its permit holders and vendors' sales and revenues records are incomplete and unorganized. The department does not monitor permit holders' performance and compliance with applicable regulations, as staff resources assigned to perform this function has been limited.

### **Risks to County**

If MCPR awards permits outside its internal policy requirements, the department increases its risk that other vendors (providing same services) may complain of favoritism. Without a competitive permit award process, MCPR has no assurance the department receives the maximum financial benefit or that park patrons are provided with the best products and services available. The department's informal permit award process and weak payment controls also increase the risk for bribes, kickbacks, conflicts of interest, and other fraud.

### **Recommendation**

MCPR should:

- A. Whenever feasible, use a competitive process when awarding permits that will generate County revenue
- B. Add language to the permits giving the County the right to examine permit holders' financial records and verify revenues and other reported information
- C. Regularly monitor permit holders' performance and compliance with applicable requirements and document all activities in writing
- D. Develop an organized comprehensive list of all of the department's permits and contracts and clearly identify each by type.

## Issue 6    **Agreements with Non-Profit Organizations**

### **Summary**

MCPR does not effectively monitor or enforce the requirements of the County's written agreements with non-profit organizations. Our review identified internal control weaknesses and exceptions to contract requirements, which increase the County's risk for incurring potential legal and financial liabilities. MCPR should strengthen controls over its contract enforcement and monitoring activities.

### **Agreement Requirements**

Through written agreements, MCPR permits approximately 15 non-profit organizations (model airplane clubs, go-cart associations, trail riders, bird watchers, etc.) to conduct activities on County park land. These agreements contain compliance provisions, which require the non-profit organizations to maintain insurance, pay utility costs, provide income/expense documents to MCPR, and allow MCPR to approve plans and inspect facilities.

### **Review and Results**

We examined four MCPR non-profit agreements, records, and other documentation to determine if the organizations comply with applicable requirements and to what extent MCPR monitors their performance. The organizations, all operating at the Adobe Dam Recreation Area, are:

- Phoenix Kart Racing
- Arizona Kart Racing Association
- Sahuaro Central Railroad
- Arizona Model Pilots

Our audit fieldwork and testing produced the following results:

- All four organizations had obtained insurance as required.
- Three of the four organizations had not submitted any income or expense statements since agreement inception.
- MCPR had not billed the organizations for November 2000 through February 2001 water bills (\$5,555 total) that the department had paid.
- One organization had started a construction project before submitting plans to MCPR for review and approval.
- MCPR does not appear to conduct regular on-site inspections of the properties where these non-profit organizations operate.

Non-profit organizations produce no County revenue and operate on land that is not required for other purposes. As a result, MCPR has given little attention to the activities of these groups. The department has experienced high turnover in its contract monitor position and has not developed an effective system for reviewing contractors' performance.

### **Risks to County**

If MCPR does not adequately monitor and enforce the requirements of non-profit agreements, the County is subject to potential legal and financial liabilities.

### **Recommendation**

MCPR should:

- A. Review the department's non-profit organization files to determine if all documentation, required by the agreements, is complete and then obtain any missing information
- B. Develop and implement written procedures for monitoring non-profit organization contracts on a regular basis and maintaining documentation
- C. Determine any additional recoverable utility costs, over and above the \$5,500 found during our review, and bill each non-profit organization for its share of the total amount.

## **Issue 7   Software Licensing**

### **Summary**

MCPR has not developed policies and procedures to ensure compliance with County Policy A1604, Software Copyright and License Compliance. However, the department has purchased adequate software licenses for its current software applications. Copyright infringement of software licensing can result in heavy fines and civil and criminal prosecutions. MCPR should develop procedures to ensure compliance with County Policy A1604.

### **Software Copyright and License Policy**

County Policy A1604, Software Copyright and License Compliance, requires that only properly licensed proprietary or copyrighted software be used on County computer systems. All terms of the licenses or other agreements applicable to the software must be followed. The policy further outlines conduct each department should take to ensure proper compliance.

### **MCPR Licensing Procedures**

MCPR has not developed written procedures or departmental policy for tracking software licenses in order to ensure constant compliance with software copyright laws and the County's software license policy. The department reports that the employee who tracked software licensing has left and the responsibility has not yet been assigned to another staff member.

Copyright infringement of software licensing can result in heavy fines (up to \$150,000 per incident) and civil and criminal prosecutions. Currently, MCPR has purchased adequate software licenses for its running software.

### **Recommendation**

MCPR should develop procedures to follow County Policy A1604 including:

- A. Establish appropriate departmental software asset management practices and procedures to ensure knowledge of and compliance with the requirements of policy A1604
- B. Conduct periodic audits of departmental procedures to ensure that only authorized and properly licensed software is used in County computer systems.

NOTE: MCPR implemented this recommendation prior to issuance of the audit report.

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## **DEPARTMENT RESPONSE**